

# CHANGES WITHOUT REGULATORY EFFECT UNDER CALIFORNIA CODE OF REGULATIONS, TITLE 1, SECTION 100

## Statement of Explanation

### Title 18. Public Revenues

#### Regulation 1642, Bad Debts

#### **A. Factual Basis**

##### 1. Relevant Background Information

Revenue and Taxation Code (RTC) sections 6055, subdivision (a), and 6203.5, subdivision (a), provide that a retailer is to be relieved of liability for sales or use tax when the measure of tax is represented by accounts receivable that are held by the retailer, but which have been found to be worthless and charged off for income tax purposes or, if the retailer is not required to file income tax returns, charged off in accordance with generally accepted accounting principles. In addition, RTC sections 6055, subdivision (a), and 6203.5, subdivision (a), allow a retailer who has reported and paid sales or use tax on an account that was subsequently found worthless and charged off (as described above) to claim a deduction for the tax paid on the worthless account, in accordance with regulations prescribed by the State Board of Equalization (Board).

RTC sections 6055, subdivision (b)(1), and 6203.5, subdivision (b)(1), provide that a retailer or lender that makes a proper election, under RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), respectively, may claim a deduction or refund for tax the retailer reported and paid on an account held by the lender, which has been charged off as worthless (as described above). In addition, RTC sections 6055, subdivision (b)(3), and 6203.5, subdivision (b)(3), both provide as follows:

(3) For purposes of this subdivision, the term “lender” means any of the following:

(A) Any person that holds a retail account which that person purchased directly from a retailer who reported the tax.

(B) Any person that holds a retail account pursuant to that person’s contract directly with the retailer that reported the tax.

(C) Any person that is either an affiliated entity, under Section 1504 of Title 26 of the United States Code, of a person described in subparagraph (A) or (B), or an assignee of a person described in subparagraph (A) or (B).

Therefore, RTC sections 6055, subdivision (b), and 6203.5, subdivision (b), respectively provide for a person that is an affiliated entity or assignee of a lender holding a retail account described in RTC sections 6055, subdivision (b)(3)(A) or (B), or 6203.5, subdivision (b)(3)(A) or (B), which has been charged off as worthless (as described above), to be treated as a “lender” for purposes of claiming a deduction or refund for tax the retailer reported and paid on the retail account, if a proper election is made under RTC sections 6055, subdivision (b)(4), or 6203.5, subdivision (b)(4).

California Code of Regulations, title 18, section (Regulation) 1642, *Bad Debts*, implements, interprets, and makes specific RTC sections 6055 and 6203.5. As relevant here, subdivision (a) of Regulation 1642 prescribes the general requirements for a retailer to be relieved of liability for sales and use tax under RTC sections 6055, subdivision (a), and 6203.5, subdivision (a). Subdivision (a) of Regulation 1642 also explains that if a retailer has reported and paid sales or use tax on an account that was subsequently found worthless and charged off (as described above), then the retailer may claim a bad debt deduction for the tax paid on the worthless account, in accordance with RTC section 6055, subdivision (a), or section 6203.5, subdivision (a), on the retailer's sales and use tax return filed for the period in which the account was found worthless and charged off. And, Regulation 1642, subdivision (a) explains further that if the retailer does not timely claim a bad debt deduction for tax paid on such an account, then the retailer may file a claim for refund for the tax, subject to the applicable statute of limitations.

Further, as relevant here, subdivision (i) of Regulation 1642 implements, interprets, and makes specific RTC sections 6055, subdivision (b), and 6203.5, subdivision (b). Regulation 1642, subdivision (i)(1), incorporates the definition of "lender" set forth in RTC sections 6055, subdivision (b)(3), and 6203.5, subdivision (b)(3), and makes the definition more specific by clarifying that an election must be filed, in accordance with Regulation 1642, subdivision (i)(4), to designate an affiliated entity or other assignee of a lender as the person (or lender) who may claim a bad debt deduction or credit with regard to an account held by the assigning lender, which has been charged off as worthless (as described above). Regulation 1642, subdivision (i)(2) implements, interprets, and makes specific the general requirements imposed by RTC sections 6055, subdivision (b)(1), and 6203.5, subdivision (b)(1), for claiming a bad debt deduction or refund for tax paid by a retailer on an account held by a lender and clarifies that an election must be filed, in accordance with Regulation 1642, subdivision (i)(3), to designate the retailer or the lender as the person entitled to claim a bad debt deduction or credit with regard to an account held by the lender. Regulation 1642, subdivision (i)(3), prescribes the requirements for a retailer and lender to make a proper election, under RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), to designate either the retailer or the lender as the person who may claim a bad debt deduction or refund for tax the retailer reported and paid on an account held by the lender, which has been charged off as worthless (as described above). Regulation 1642, subdivision (i)(4), prescribes the requirements for a lender to make a proper election to assign the right to claim a bad debt deduction or refund to an affiliated entity or other assignee, under RTC sections 6055, subdivision (b)(3)(C) and (4), and 6203.5, subdivision (b)(3)(C) and (4). And, the requirements for making a proper election to assign the right to claim a bad debt deduction or refund to an affiliated entity or other assignee, under Regulation 1642, subdivision (i)(4), are consistent with the requirements for a retailer and lender to make a proper election to designate either the retailer or the lender as the person who may claim a bad debt deduction or refund, under Regulation 1642, subdivision (i)(3).

Furthermore, as relevant here, Regulation 1642, subdivision (i)(5)(A), (B), (C), and (F), respectively provide that, under the provisions of Regulation 1642, subdivision (i):

- A retailer may claim a bad debt deduction or refund for an account held by a lender "in the same manner as if the retailer held the account";
- A lender must register for "a Certificate of Registration – Lender" by the date the lender claims a bad debt deduction or refund for tax paid by a retailer;

- A lender entitled to claim a bad debt deduction or refund for tax paid by a retailer is “entitled to the same amount of deduction or refund . . . as if the lender were the retailer”; and
- A lender’s claim for a bad debt deduction or refund, including a claim filed by an affiliated entity or other assignee of a lender, is not valid until a proper election has been made, under Regulation 1642, subdivision (i)(3), to designate the lender as the person with the right to claim the deduction or refund and, if applicable, a proper election has been made, under Regulation 1642, subdivision (i)(4) to assign the right to claim the deduction or credit to the affiliated entity or other assignee making the claim.

## 2. Recent Amendments to RTC sections 6055 and 6203.5

Prior to January 1, 2012, a retailer or lender could only claim a bad debt deduction or refund for accounts receivable held by the lender if, “prior” to making such claim, the retailer and the lender “filed” an election with the Board, signed by both parties, designating which party was entitled to claim the deduction or refund for the portion of the accounts receivable which was written off as worthless (as described above). This was because RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), both expressly provided as follows:

Prior to claiming any deduction or refund under this subdivision, the retailer who reported the tax and the lender shall file an election with the board, signed by both parties, designating which party is entitled to claim the deduction or refund. This election may not be amended or revoked unless a new election, signed by both parties, is filed with the board.

Therefore, Regulation 1642, subdivision (i)(2) currently requires that a retailer and a lender “file” a proper election with the Board, under Regulation 1642, subdivision (i)(3), designating which is entitled to claim a bad debt deduction or refund for tax paid by the retailer on an account held by the lender, which has been charged off as worthless (as described above), “before” the retailer or lender can actually claim the bad debt deduction or refund for the tax paid on the account. And, Regulation 1642, subdivision (i)(4), currently requires a lender and an affiliated entity or other assignee to “file” a proper election with the Board designating the affiliated entity or other assignee as the person entitled to claim a bad debt deduction or refund for tax paid on an account held by the lender “prior” to the affiliated entity or other assignee actually claiming a deduction or refund for the tax paid on the account.

However, sections 3 and 4 of Assembly Bill No. (AB) 242 (Stats. 2011, ch. 272) amended RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), respectively, to remove the requirement that an election be *filed* with the Board, and instead require that an election be prepared, signed, and retained prior to claiming a bad debt deduction or refund, effective January 1, 2012. Then, sections 2 and 3 of AB 2688 (Stats. 2012, ch. 362) amended RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), respectively, to remove the requirement that an election be prepared, signed, and retained *prior* to claiming a bad debt deduction or refund, effective January 1, 2013. As a result, RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), currently provide that:

For purposes of this section, a “proper election” shall be established when the retailer that reported the tax and the lender prepare and retain an election form,

signed by both parties, designating which party is entitled to claim the deduction or refund. This election may not be amended or revoked unless a new election, signed by both parties, is prepared and retained by the retailer and the lender.

3. Proposed Changes to Regulation 1642 to Make it Consistent with the Recent Amendments to RTC sections 6055 and 6203.5

In order to make Regulation 1642, subdivision (i), consistent with the amendments made to RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), by AB 242 and AB 2688 (discussed above), the Board proposes to:

- Change the word “filed” to the phrase “prepared and retained” in Regulation 1642, subdivision (i)(1)(C);
- Change the first sentence in Regulation 1642, subdivision (i)(2)(E) and delete the second sentence in Regulation 1642, subdivision (i)(2)(E) so that subdivision (i)(2)(E) requires a retailer and a lender to “prepare and retain an election, signed by both parties,” instead of requiring a retailer and lender to “file an election with the Board”;
- Change the first sentence in Regulation 1642, subdivision (i)(3)(A) so that subdivision (i)(3)(A) requires a retailer and a lender to “prepare and retain an election,” instead of requiring a retailer and lender to “file an election with the Board”;
- Change Regulation 1642, subdivision (i)(3)(A)8 so that subdivision (i)(3)(A)8 provides that an election by a retailer and lender may not be amended or revoked, unless a new “election, signed by both parties, is prepared and retained by the retailer and lender,” instead of providing that such an election may not be amended or revoked unless a new “election signed by both the retailer and the lender is filed with the Board”;
- Change the second sentence in Regulation 1642, subdivision (i)(3)(A)9 so that subdivision (i)(3)(A)9 does not indicate that an election must be filed with the Board and simply requires that “[T]he person with the right under the election to claim the bad debt deduction or refund must retain the election with the original signatures”;
- Change the last two sentences in Regulation 1642, subdivision (i)(3)(A)9 so that subdivision (i)(3)(A)9 does not indicate that an election signed in counterparts is required to be filed with the Board and simply requires that “[T]he person with the right under the election to the bad debt deduction or refund must retain all counterparts with the original signatures”;
- Delete the word “filed” from Regulation 1642, subdivision (i)(3)(B);
- Change the first sentence in Regulation 1642, subdivision (i)(4)(A) to require that a lender and affiliated entity or other assignee “prepare and retain an election signed by both parties,” rather than require that a lender and an affiliated entity or other assignee “file an election with the Board prior to the affiliated entity’s or other assignee’s claiming of any deduction or refund”;
- Delete “filed with the Board” from the second sentence in Regulation 1642, subdivision (i)(4)(A);
- Change Regulation 1642, subdivision (i)(4)(A)2 to make it consistent with the changes made to Regulation 1642, subdivision (i)(3)(A) (discussed above) by clarifying that when an “election has not yet been prepared” under subdivision (i)(3)(A), then the election between the retailer and the lender, under subdivision (i)(3)(A), must be “prepared” along with the election between the lender and affiliated entity or other assignee, and also

clarifying that the “elections” with the original “signatures” only need to be retained by the affiliated entity or assignee, not filed with the Board;

- Change Regulation 1642, subdivision (i)(4)(A)9 to make it consistent with the changes made to Regulation 1642, subdivision (i)(3)(A)8 (discussed above) regarding amending and revoking a lender’s election;
- Change Regulation 1642, subdivision (i)(4)(A)10 to make it consistent with all of the changes made to Regulation 1642, subdivision (i)(3)(A)9 (discussed above) to clarify that lenders’ elections, including elections signed in counterparts, do not need to be filed with the Board and simply require that the person with the right under an election to claim a bad debt deduction or refund must retain the election or counterparts with the original signatures;
- Delete the word “filed” from Regulation 1642, subdivision (i)(4)(B), and (5)(A) through (C); and
- Change Regulation 1642, subdivision (i)(5)(F) to further clarify that an election between a retailer and a lender under Regulation 1642, subdivision (i)(3) and an election between a lender and an affiliated entity or other assignee under Regulation 1642, subdivision (i)(4) does not need to be filed with the Board, but that a lender’s claim for a bad debt deduction or refund is not valid if an election pursuant to subdivision (i)(3) and, if applicable, an election pursuant to subdivision (i)(4), “is not prepared and retained that is signed by both parties.”

The Board has determined that the proposed changes to Regulation 1642, subdivision (i) (described above) are appropriate for processing under California Code of Regulations, title 1, section (Rule) 100 because they make subdivision (i) fully consistent with the amendments made to RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), by AB 242 and AB 2688, the Board does not have discretion to continue to require lenders’ elections to be filed with the Board prior to a lender claiming a bad debt deduction or refund after the amendments made to RTC sections 6055, subdivision (b)(4), and 6203.5, subdivision (b)(4), by AB 242 and AB 2688, and the changes to subdivision (i) do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

#### 4. Additional Proposed Grammatical Changes to Regulation 1642

In addition, the Board is proposing to make a minor grammatical change to Regulation 1642, subdivision (a) to capitalize the first letter in the word “board” to make it consistent with the other references to the “Board” throughout the regulation. The Board is proposing to make grammatical changes to rephrase Regulation 1642, subdivision (i)(2)(A), without changing its meaning. Currently, the subdivision provides that a deduction or refund may be claimed for bad debt losses on an account only if “No deduction or refund was previously claimed on any portion of the account.” The proposed changes replace the word “No” with the word “A” and insert the word “not” between the words “was” and “previously” so that subdivision (i)(2)(A) provides that a deduction or refund may be claimed for bad debt losses on an account only if “A deduction or refund was not previously claimed or allowed on any portion of the account.” And, the Board is proposing to make three minor grammatical changes to the first sentence in Regulation 1642, subdivision (i)(2)(E) to: (1) delete the second word “which” from between the words “and” and “designates”; (2) replace the phrase designates “either the retailer or lender as the person” entitled to claim any deduction or refund with the phrase designates “which party is” entitled to

claim any deduction or refund; and (3) insert the word “the” between the words “by” and “amount.”

The Board has determined that the additional grammatical changes to Regulation 1642, subdivisions (a) and (i)(2)(A) and (E) (described above) are appropriate for processing under Rule 100 because they make the regulation grammatically correct and do not materially alter any requirement, right, responsibility, condition, prescription or other regulatory element of any California Code of Regulations provision.

## **B. Proposed Changes**

Rule 100 changes are proposed to Regulation 1642, subdivisions (a) and (i).

### **TEXT OF PROPOSED CHANGES**

#### **1642. Bad Debts.**

(a) In General. A retailer is relieved from liability for sales tax (section 6055 of the Revenue and Taxation Code) or from liability to collect use tax (section 6203.5 of the Revenue and Taxation Code) insofar as the measure of the tax is represented by accounts found worthless and charged off for income tax purposes (which include circumstances where the retailer’s income is reported on a related person’s income tax return and the bad debt is charged off on that return) or, if the retailer is not required to file income tax returns and the retailer’s income is not reported on another person’s return, charged off in accordance with generally accepted accounting principles. A retailer may claim a bad debt deduction provided that the sales tax, or amount of use tax, was actually paid to the state.

This deduction should be taken on the return filed for the period in which the amount was found worthless and charged off for income tax purposes or, if the retailer is not required to file income tax returns, charged off in accordance with generally accepted accounting principles.

Failure to take the deduction on the proper return will not in itself prevent the allowance of a refund measured by an amount for which a retailer could have taken a timely deduction provided a claim for refund is filed with the Board within the limitation periods specified in section 6902 of the Revenue Taxation Code.

(b) Amount Subject to Deduction.

(1) . . . (unchanged).

(2) . . . (unchanged).

(c) Reporting. . . . (unchanged).

(d) Worthless Account Subsequently Collected. . . . (unchanged).

(e) Records. . . . (unchanged):

(1) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(6) . . . (unchanged).

(7) . . . (unchanged).

(8) . . . (unchanged).

(f) Allowable Methods of Computing Loss.

(1) . . . (unchanged).

(2) . . . (unchanged).

(A) . . . (unchanged).

(B) . . . (unchanged).

(3) . . . (unchanged).

(4) . . . (unchanged).

(5) . . . (unchanged).

(g) Bad Debt Losses Other Than Repossessions. . . . (unchanged).

(h) Special Situations.

(1) . . . (unchanged).

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) . . . (unchanged).

(2) . . . (unchanged).

(3) . . . (unchanged).

(A) . . . (unchanged):

1. . . . (unchanged).

2. . . . (unchanged).

3. . . . (unchanged).

4. . . . (unchanged).

5. . . . (unchanged).

6. . . . (unchanged).

7. . . . (unchanged).

8. . . . (unchanged).

(B) . . . (unchanged).

(i) Bad Debts Incurred in Connection with Accounts Held by Lenders. . . . (unchanged).

(1) Lender Defined. A “lender” for purposes of this regulation is defined as any of the following:

(A) . . . (unchanged).

(B) . . . (unchanged).

(C) A person who is either an affiliated corporation (or affiliated entity electing to be taxed as a corporation) under section 1504 of Title 26 of the United States Code or an assignee of a person described in subdivision (i)(1)(A) or (i)(1)(B). A person is a “lender” under this subdivision (i)(1)(C) only if an election is ~~filed~~prepared and retained under subdivision (i)(4).

(2) Conditions to Claiming Deduction or Refund. With respect to an account held by a lender without recourse, a deduction or refund may be claimed for bad debt losses on the account only if all of the following conditions are met:

(A) ~~No~~A deduction or refund was not previously claimed or allowed on any portion of the account.

(B) . . . (unchanged).

(C) . . . (unchanged).

(D) . . . (unchanged).

(E) The retailer and the lender ~~file~~prepare and retain an election ~~with the Board, signed by both parties,~~ which contains the elements specified in subdivision (i)(3) and ~~which~~



designates ~~either the retailer or the lender as the person~~which party is entitled to claim any deduction or refund under this regulation for tax previously paid by the retailer measured by the amount of the account found to be worthless and charged off. ~~No deduction or refund can be claimed until this election is filed with the Board.~~

(3) Election Between Retailer and Lender.

(A) In order for the retailer or the lender to claim a deduction or refund for bad debt losses from an account held by the lender without recourse, the retailer and the lender must ~~file~~prepare and retain an election ~~with the Board~~ designating which of them may claim such deduction or refund. The election may be in any form, including an existing contract between the retailer and the lender, so as long as the election contains the following elements:

1. . . . (unchanged).

2. . . . (unchanged).

3. . . . (unchanged).

4. . . . (unchanged).

5. . . . (unchanged).

6. . . . (unchanged).

7. . . . (unchanged).

8. A statement that the election may not be amended or revoked unless a new election, signed by both parties, is prepared and retained by the retailer and the lender ~~is filed with the Board.~~

9. The date of the election and the signatures of the retailer and the lender, or their authorized representatives. ~~If a copy of the signed election is filed with the Board rather than the original, t~~The person with the right under the election to claim the bad debt deduction or refund must retain the election with the original signatures. An election may be signed in counterparts, ~~and its filing would be regarded as perfected as of the filing of the second signed counterpart,~~ provided each counterpart is identical except for the signature and date of the signature. ~~If copies of the signed counterparts are filed with the Board, t~~The person with the right under the election to the bad debt deduction or refund must retain all counterparts with the original signatures ~~not filed with the Board.~~

(B) The term “retailer” as used in this regulation (except as used in subdivisions (h) and (i)) includes a lender with respect to those accounts for which the lender is the person entitled to the bad debt deduction or claim pursuant to an election ~~filed~~ under this subdivision (i)(3).

(4) Election Between Lender and Affiliated Entity or Other Assignee.

(A) If a person who is a lender under subdivision (i)(1)(A) or (i)(1)(B) and who has the right to claim any deduction or refund for bad debts the lender charges off on the account wishes to assign to a person who is its affiliated entity under section 1504 of Title 26 of the United States Code or to some other assignee the right to claim any deduction or refund for the amount of bad debts charged off on the account, the lender and the affiliated entity or other assignee must file prepare and retain an election signed by both parties with the Board prior to the affiliated entity's or other assignee's claiming of any deduction or refund. The election ~~filed with the Board~~ may be in any form, but must include all the following elements:

1. . . . (unchanged).

2. A copy of the election between the retailer and the lender under which the lender has the right to any (and all) deductions or refunds as a result of any bad debt losses charged off by the lender on the account(s). If that election has not yet been prepared filed with the Board, then that election must be prepared filed along with the election between the lender and its affiliated entity or other assignee. ~~If the elections with the original signatures was retained by the lender rather than filing it with the Board, that election must either be filed with the Board or must be~~ retained by the affiliated entity or other assignee.

3. . . . (unchanged).

4. . . . (unchanged).

5. . . . (unchanged).

6. . . . (unchanged).

7. . . . (unchanged).

8. . . . (unchanged).

9. A statement that the election may not be amended or revoked unless a new election, signed by both parties, is prepared and retained by the lender and the affiliated entity or other assignee ~~is filed with the Board~~.

10. The date of the election and the signatures of the lender and the affiliated entity or other assignee, or their authorized representatives. ~~If a copy of the signed election is filed with the Board rather than the original, the~~ person with the right under the election to claim the bad debt deduction or refund must retain the election with the original signatures. An election may be signed in counterparts, ~~and its filing would be regarded as perfected as of the filing of the second signed counterpart, provided each counterpart is identical except for the signature and date of the signature. If copies of the signed counterparts are filed with the Board, the~~ person with the right under the election to the bad debt deduction or refund must retain all counterparts with the original signatures ~~not filed with the Board~~.

(B) The term “retailer” as used in this regulation (except as used in subdivisions (h) and (i)) includes an entity affiliated with a lender under section 1504 of Title 26 of the United States Code, or other assignee, with respect to those accounts for which the affiliated entity or other assignee is the person entitled to the bad debt deduction or claim pursuant to an election ~~filed~~ under this subdivision (i)(4).

(5) Registration, Returns, Claims for Deduction and Refunds, and Payment of Tax.

(A) A retailer who has the right to claim deductions or refunds for bad debts charged off by a lender on an account held by that lender pursuant to an election ~~filed~~ under subdivision (i)(3) shall claim those deductions or refunds under the provisions of this regulation in the same manner as if the retailer held the account itself.

(B) Without regard to whether a lender holds a seller’s permit for its own sales of tangible personal property, a lender who has the right to claim deductions or refunds for bad debts charged off on accounts pursuant to an election ~~filed~~ under subdivision (i)(3) and, if applicable, subdivision (i)(4), shall register with the Board for a Certificate of Registration - Lender no later than the date on which it first claims such a deduction or refund.

(C) A lender who has the right to claim deductions or refunds for bad debts charged off pursuant to an election ~~filed~~ under subdivision (i)(3) and, if applicable, subdivision (i)(4), is entitled to the same amount of deduction or refund, calculated in the same manner under the provisions of this regulation, as if the lender were the retailer who had sold the tangible personal property for which the retailer had reported and paid tax. If the lender has provided the name, address, and seller’s permit number of the retailer responsible for paying the tax, in determining whether to grant the lender’s claim for deduction or refund, the Board shall regard the retailer as having paid the applicable tax due unless the Board establishes otherwise. (Regardless of the Board’s action on the lender’s claim for deduction or refund, a retailer who failed to pay the applicable tax due remains liable for that tax.)

(D) . . . (unchanged).

(E) . . . (unchanged).

(F) The filing by a lender of a claim for deduction or refund for bad debts on accounts covered by this subdivision (i) is not valid if an election pursuant to subdivision (i)(3) and, if applicable, an election pursuant to subdivision (i)(4), is not prepared and retained that is signed by both parties~~has not been filed with the Board. If a lender files a claim for deduction or refund and the applicable election(s) is filed thereafter, the claim for deduction or refund will be regarded as having been filed on the date of the filing of the election(s).~~

(G) . . . (unchanged).

(H) . . . (unchanged).

Note: Authority cited: 7051, Revenue and Taxation Code. Reference: Sections 6055 and 6203.5, Revenue and Taxation Code.